

# Hudson's Bay Oil and Gas Company Limited

Annual Report

FOR THE YEAR ENDED DECEMBER THIRTY-FIRST

1957

## *THE YEAR IN BRIEF*

### *FINANCIAL*

	<u>1957</u>	<u>1956</u>
Gross Income .....	\$21,218,000	\$18,058,000
Net Income Exclusive of Non-Recurring Gains .....		
Total .....	\$ 3,073,000	\$ 2,359,000
Per Share .....	\$ .17	\$ .13
Non-Recurring Gains .....	\$ 4,742,000	\$ 2,245,000
Net Income for Year .....	\$ 7,815,000	\$ 4,604,000
Expenditures for Finding and Developing Reserves (Inclusive of Both Capital and Expense Items) .....	\$21,013,000	\$26,463,000

### *OPERATING*

Crude Oil Production (Net Barrels Daily) .....	22,257	20,992
Exploratory and Development Wells Completed		
Gross .....	184.0	335.0
Net .....	107.7	186.2
Net Acreage at December 31		
Fully or Partially Developed .....	100,000	88,000
Undeveloped .....	10,361,000	10,860,000
Total .....	<u>10,461,000</u>	<u>10,948,000</u>

# Hudson's Bay Oil and Gas Company Limited

## ANNUAL REPORT 1957

### *TO THE SHAREHOLDERS*

The year 1957 was an important milestone in the history of the Company. During the year public participation in the ownership of its shares was brought about and, accordingly, this is the first time an annual report to shareholders has been published.

Continental Oil Company and Hudson's Bay Company owned all of the outstanding shares of the Company until September, 1957. During that month rights were issued to the shareholders of those companies to subscribe for 1,744,592 shares of the Company's unissued stock at a price of \$11 per share, or \$19.2 million in total. More than 98% of the rights were exercised and the remaining 34,623 shares were purchased by Continental Oil Company and Hudson's Bay Company at the subscription price. As a result of this offering the outstanding shares have been increased to 17,744,592 (9.6% owned by approximately 13,000 shareholders, 67.8% by Continental Oil Company and 22.6% by Hudson's Bay Company), and the shares of the Company have been listed for trading on the Toronto Stock Exchange.

The proceeds of the share issue described above and additional investments by Continental Oil Company and Hudson's Bay Company made it possible to repay bank loans, which had reached \$25 million early in the year, and increase cash

and marketable securities by \$11.5 million during 1957.

Early in 1958 Mr. Herbert H. Lank and Mr. James A. Richardson were elected directors to fill vacancies created by enlarging the Board. Mr. Lank is President of DuPont Company of Canada (1956) Limited and Mr. Richardson is Vice-President of James Richardson & Sons, Limited.

Exclusive of non-recurring gains, net income of Hudson's Bay Oil and Gas Company Limited and its subsidiaries totalled \$3.1 million or 17 cents per share in 1957, an increase of 30% over the comparable net income of \$2.4 million or 13 cents per share realized in 1956. This increase in earnings was attributable to sales of larger volumes of crude oil at higher prices. For comparative purposes net income per share in 1956 was calculated on the shares outstanding at December 31, 1957. Large non-recurring gains were realized in both years, \$4.7 million in 1957 and \$2.2 million in 1956. These gains raised total net income to \$7.8 million in 1957 and \$4.6 million in 1956.

Losses were incurred in each of the years 1948 to 1955, inclusive, because of the emphasis on exploratory effort and the practice of charging the cost of this effort against income currently. Aggregate net income for the years 1956 and



1957 was sufficient to offset the accumulated deficit and leave a balance of \$629,157 in retained earnings at December 31, 1957.

Net crude oil production averaged 22,257 barrels daily in 1957 as compared with 20,992 barrels daily in 1956, an increase of 6% which paralleled the gain in total production in Western Canada. This increase was achieved despite a decline of approximately 4% in total production of crude oil in the Province of Alberta where most of the Company's production is located.

During the first half of 1957 demand for Western Canada's crude oil was stimulated by the Suez crisis. The subsequent decline in demand during the latter part of the year was more severe in Western Canada than in some other producing areas of the Western Hemisphere. As a result, production of crude oil in Western Canada for the entire year 1957 was held to an increase of only 6% over the preceding year.

The Company has found and partially developed substantial reserves of natural gas at an estimated cost of more than \$25 million; however, a lack of transportation facilities and markets continues to restrict production. Deliveries of natural gas to the Trans-Canada Pipe Lines system are scheduled to start during the latter part of 1958, providing an important but

only a partial outlet for existing reserves. So the industry can further develop its natural gas reserves and realize a return on large amounts of invested capital it is essential that policies with respect to the export of natural gas be clarified.

The outlook for the future indicates a continuation into 1958 of some of the problems encountered in 1957; however, we are confident that the long range prospects for growth of the petroleum industry remain good and that increased markets will be developed for crude oil and natural gas produced in Western Canada.

Management recognizes that the most valuable single asset of the Company is its able and experienced people. Sincere appreciation is expressed to these people who have contributed so loyally to the progress of the Company.

Additional information regarding the operations of the Company and its financial position is given in the general review which follows.

Submitted on behalf of the Board of Directors:



President

Calgary, Alberta  
March 4, 1958

# GENERAL REVIEW

## EXPLORATION

**DISCOVERIES** — The Company's exploratory operations during 1957 resulted in the discovery of 16 new oil and gas fields, 3 new producing zones in existing fields and 1 field extension. The more significant discoveries are listed in the table at the bottom of the page.

The West Whitecourt block of 1,100,000 acres of Crown reservations in which the Company owns a 41⅔% interest is proving to be a very valuable asset. The original discovery, at Windfall, located in the northeast part of this block has been expanded into a major gas condensate reservoir. At Silver Creek about 5 miles north of the Windfall field a discovery well and 2 extension wells have confirmed a pay zone up to 175 feet of gas-condensate and 25 feet of oil in a Devonian reef. Further development may ultimately prove the Silver Creek and Windfall

fields to be one common reservoir. At Pine Creek about 25 miles southwest of the Windfall area a discovery well encountered approximately 200 feet of gas-bearing Devonian reef. Two additional wells drilled 1½ and 3½ miles from the initial well have confirmed this as another significant discovery. Major gas-condensate and sulphur reserves have already been found on the West Whitecourt acreage and other prospective areas remain to be tested.

The Company is in a position to benefit materially should subsequent development at Milligan Creek, Virginia Hills and East Virginia Hills establish extensive reserves as the discovery wells were drilled on large blocks of land held under permit or reservation.

Additional wells must be drilled before full evaluation of the 1957 discoveries can be made.

### THE MORE SIGNIFICANT DISCOVERIES IN 1957

<u>Name of Field (1)</u>	<u>Nature of Discovery</u>	<u>Geological Formation</u>	<u>Depth</u>
<u>New Fields</u>			
Milligan Creek	Crude Oil	Triassic	3,691'
Schneider Lake	Crude Oil	Cretaceous	2,558'
Virginia Hills	Crude Oil	Devonian (Slave Point)	9,210'
East Virginia Hills	Gas-Condensate	Devonian (Gilwood)	7,100'
Garrington	Gas-Condensate	Cretaceous	8,758'
Silver Creek	Gas-Condensate	Devonian (Leduc Zone)	8,463'
Kaybob	Natural Gas	Cretaceous	5,900'
Pine Creek	Natural Gas	Devonian (Leduc Zone)	11,310'
<u>New Producing Zones in Existing Fields</u>			
Sturgeon Lake	Crude Oil	Devonian (Winterburn)	7,603'
Sundre	Gas-Condensate	Cretaceous	8,730'

(1) All of the fields are in Alberta except the Milligan Creek field which is in British Columbia.



**ACREAGE HOLDINGS** — At year end petroleum and natural gas rights were held under approximately 10.4 million acres in Western Canada. Of these holdings, 4.5 million acres are Hudson's Bay Company lands and 5.9 million acres are Crown, railway and other freehold lands in Western Canada.

The Company has an option until December 31, 1999 to lease without payment of bonus the petroleum and natural gas rights under the Hudson's Bay Company lands. These lands are located mainly in the provinces of Alberta, Saskatchewan and Manitoba. Because of their widespread distribution, the Company is likely to participate in any extensive oil or gas fields which may be found in the areas where the Hudson's Bay Company lands are located.

The regulations pertaining to Crown lands differ to some extent in the various provinces but the basic procedure is that large blocks of Crown reservations or permits may be acquired through application or competitive bidding. The reservation confers upon the holder the right to select petroleum and natural gas leases in a prescribed

pattern generally on not more than 50% of the reservation area.

During 1957 the Company acquired 786,000 acres of land and surrendered 1,273,000 acres. The holdings of undeveloped acreage at December 31, 1957 are shown in the table below.

## DRILLING

During the year the Company participated in the drilling of 184 exploratory and development wells which, after deducting the interests of others, were equivalent to 107.7 net wells. This was 78.5 less net wells than the number drilled in 1956 when drilling in the Pembina field was at a high level.

Under the exploratory drilling program, 62 gross wells, equal to 32.9 net wells, were completed on acreage in which working interests are owned. An additional 18 wells were drilled on locations adjacent to the Company's properties and were supported by comparatively small contributions of cash or acreage. In total, the Company supported or participated in the drilling of 80 exploratory wells, 4 wells more than in 1956.

### UNDEVELOPED ACREAGE HOLDINGS

December 31, 1957

<u>Type of Holding</u>	<u>Alberta</u>	<u>Saskatchewan</u>	<u>British Columbia</u>	<u>Other</u>	<u>Total</u>
Option to Lease Hudson's Bay Company lands	1,410,300	2,345,200	6,100	697,400	4,459,000
Crown Reservations or Permits (1)	1,823,700	—	2,011,200	38,000	3,872,900
Options to Lease from Others	383,100	—	—	—	383,100
Undeveloped Leaseholds	<u>1,556,700</u>	<u>75,100</u>	<u>2,200</u>	<u>12,300</u>	<u>1,646,300</u>
Total Acres	5,173,800	2,420,300	2,019,500	947,700	10,361,300

(1) Convertible into leases to the extent of approximately 50%.

Under the development drilling program, 122 gross or 74.8 net development wells were completed in 1957, compared to 277 gross or 153.4 net wells in the preceding year. There were 24.0 net development wells drilled in the Pembina field in 1957 compared to 97.5 net development wells the year before. The successful completions in 1957 were 70.5 net wells, of which 65.4 were oil wells and 5.1 were gas wells.

The principal fields in which development drilling activities were conducted during the year were:

Field	Wells Completed	
	Gross	Net
Pembina .....	42	24.0
Sundre-Westward Ho .....	19	17.0
Bellshill Lake .....	12	6.6
Other Fields .....	49	27.2
	<u>122</u>	<u>74.8</u>

## PRODUCTION

**CRUDE OIL** — Net crude oil production reached a new high of 8.1 million barrels in 1957. The daily average of 22,257 barrels exceeded that of 1956 by 1,265 barrels or 6%.

The contribution to 1957 production by wells completed during that year and by a full year's operation of wells completed in 1956 was 5,818 barrels daily. On the other hand, reductions in allowables and natural decline in production from older wells amounted to 2,890 barrels daily and 1,663 barrels daily, respectively.

During the latter part of the year work was started on a program to maintain pressure by water injection in a portion of the Company's properties in the Pembina field. This project should materially increase the ultimate recovery of crude oil from these properties.

The principal fields from which production was obtained were:

Fields	Net Production ( Daily Average Barrels )	
	1957	1956
Pembina .....	10,122	9,737
Sundre .....	2,043	1,825
Leduc-Woodbend .....	1,298	1,466
Sturgeon Lake South .....	1,242	1,002
West Drumheller .....	919	883
Success .....	883	928
Fenn-Big Valley .....	810	839
Other fields .....	4,940	4,312
	<u>22,257</u>	<u>20,992</u>

**NATURAL GAS** — The Company has found and partially developed large reserves of natural gas but as yet a lack of transportation facilities and markets has prevented the production and sale of any appreciable volumes.

To accelerate marketing of natural gas from central and eastern Alberta Hudson's Bay Oil and Gas Company Limited actively participated in the preliminary financing, organization and planning of Trans-Canada Pipe Lines Limited. During 1957 Trans-Canada Pipe Lines Limited completed its public financing and progressed on schedule with its construction program which is expected to be completed in 1958. Since the Company's original objectives have been achieved, it sold part of its stock interest in Trans-Canada in 1957 and the remainder early in 1958.

The Company has contracts with Trans-Canada Pipe Lines Limited which will result in sales of approximately 35 million cubic feet of natural gas per day commencing in November, 1958 and increasing to about 62 million cubic feet per day in 1962. The contract prices for this gas gathered at a central point in each field are 10 cents per thousand cubic feet until the end of 1959, increasing annually thereafter by .25



cents per thousand cubic feet to a maximum of 15.75 cents per thousand cubic feet in 1982.

The Company owns substantial natural gas reserves which have not been committed under existing contracts. The timing and nature of arrangements for marketing of these reserves will be greatly influenced by policies of governmental authorities in Canada and the United States pertaining to the export of natural gas from the former to the latter country.

## ***CRUDE OIL PIPE LINES***

To provide efficient transportation and maintain production of crude oil the Company has participated in several pipe line projects.

Rangeland Pipe Line Company Limited was organized in 1956 as a wholly owned subsidiary and by the end of 1957 had constructed and was operating 146 miles of gathering and trunk lines. The Rangeland system connects the Gilby, Bentley, West Joffre, Sundre and Innisfail fields in Central Alberta with other pipe lines providing access to markets on the Pacific Coast, in the Great Lakes area and in Ontario.

An 11% stock interest is owned in the Peace River Oil Pipe Line Company Limited which connects the Sturgeon Lake fields and the Kaybob field with the Trans-Mountain Oil Pipe Line system. A 4% stock interest is owned in Producers Pipe Line Company Limited, which, in turn owns all of the outstanding stock of Westspur Pipe Line Company Limited. The Producers-Westspur system connects fields in south-eastern Saskatchewan with the Interprovincial Pipe Line system.

## ***EMPLOYEES***

Salaries and wages of \$1,974,518 were paid in 1957, an increase of \$378,694 over the amount paid in 1956. The principal factors contributing to this increase were a growth in the number of

people employed from 307 at the beginning of the year to 356 at the end of the year and a general pay raise of 7% granted on April 1, 1957.

Company contributions under benefit plans, exclusive of holiday and vacation pay, were \$156,356 or 7.9% of wages and salaries in 1957. The benefit plans for employees include retirement pay, hospitalization insurance, group life insurance and disability pay. At the end of the year 212 employees or 86% of those eligible were members of the retirement plan.

A ten story office building in downtown Calgary was completed by the Company in the spring of 1957. The Company occupies the top five floors of this building and the lower five floors have been leased to others. Construction of this building made it possible to concentrate the Company's Calgary personnel in one modern building and provide space for future growth.

## ***FINANCIAL***

***NET INCOME*** — Exclusive of non-recurring gains, net income of the Company and its subsidiaries totalled \$3,073,002 or 17 cents per share in 1957, an increase of 30% over the comparable net income of \$2,358,602 or 13 cents per share realized in 1956. For comparative purposes net income per share in 1956 was calculated on the 17,744,592 shares outstanding at December 31, 1957. Large non-recurring gains were realized in both years, \$4,742,352 in 1957 and \$2,244,997 in 1956. These gains raised total net income to \$7,815,354 in 1957 and \$4,603,599 in 1956.

The Company's accounting practice is to charge exploration expenses against income as incurred. The cost of drilling successful wells is capitalized and amortized on a unit of production basis and the cost of dry holes is expensed currently. As a result of these accounting practices and the emphasis on exploratory effort, losses were incurred in each of the years 1948 to 1955, inclusive. Aggregate net income for the years 1956 and 1957 was sufficient to wipe out the



deficit accumulated in prior years and leave a balance of \$629,157 in retained earnings at December 31, 1957.

No income taxes were payable in 1956 or 1957. Under the provisions of the Income Tax Act and Regulations, oil companies are permitted to deduct all drilling costs currently and also are allowed, in general, to apply the excess of deductions over income for any year against the taxable income of future years. As a result of these provisions the Company has substantial deductions to be carried forward against taxable income of future years.

Gross income for the year was \$21,217,783, an increase of \$3,160,101 or 17.5% over 1956. Gross operating income increased by \$2,922,819 and interest earned on short term investments increased by \$237,282. About half of the increase in gross operating income was attributable to increased volumes of crude oil sold and the remaining half was attributable to a general increase in crude prices in January, 1957.

Costs of doing business were \$18,144,781, an increase of \$2,445,701 or 15.6% over 1956. Capital extinguishment charges increased by \$1,332,491, principally reflecting growing investments in property accounts; interest expense increased by \$415,760; and all other costs and expenses increased by \$697,450.

**CAPITAL STRUCTURE**—In June, 1957 certain changes were made in the Company's authorized and issued share capital. The balance of the unissued share capital, 2,000,000 shares with a par value of \$10 per share, was issued in satisfaction of liabilities to shareholders of \$20,000,000. The authorized and issued share capital, 4,000,000 shares with a par value of \$10 per share, was then subdivided into 16,000,000 shares with a par value of \$2.50 per share, and the authorized share capital was increased to 25,000,000 shares with a par value of \$2.50 per share.

Continental Oil Company and Hudson's Bay Company owned all of the outstanding shares of the Company until September, 1957 when

rights were issued to the shareholders of those companies to subscribe for 1,744,592 shares of the Company's unissued stock at a price of \$11 per share. This offering was divided between the two shareholder groups in proportion to the existing ownership in the Company, 75% for Continental Oil Company and 25% for Hudson's Bay Company. When the offer expired on November 1, 1957 subscriptions had been received for 1,709,969 shares or about 98% of the total offered and the remaining 34,623 shares were purchased by Continental Oil Company and Hudson's Bay Company at the subscription price.

The aggregate cash consideration received for this offering amounted to \$19,190,512, of which the par value of the shares, amounting to \$4,361,480, was credited to capital stock and the remaining \$14,829,032 was credited to paid-in surplus. The expenses of the issue, which amounted to \$316,291, were charged to paid-in surplus.

Advances from Continental Oil Company and Hudson's Bay Company amounted to \$5,000,000 at the beginning of the year. The total of these advances was increased to \$34,000,000 during the year and, after the conversion of \$20,000,000 into equity capital as outlined above, the outstanding balance of \$14,000,000 was evidenced by 5½% notes maturing December 31, 1958. Since there was no immediate need for the funds, the Company elected to prepay these notes in December, 1957 to save interest charges.

In August, 1957 Rangeland Pipe Line Company Limited issued \$2,500,000 of 5¾% First Mortgage Bonds, Series B, maturing August 1, 1977. This issue was sold privately at a price of \$98.25 to yield 5.90% and the proceeds are being used for the expansion of the Rangeland system.

**CAPITAL EXPENDITURES**—Expenditures for property, plant and equipment totalled \$18,921,000 in 1957 as compared with \$26,640,000 in 1956. The 1956 figure reflects the Company's heavy development drilling program in the Pembina field and the construction of its office building in downtown Calgary.

## CONSOLIDATED BALANCE SHEET

## ASSETS

	1957	1956
<b>Current Assets:</b>		
Cash .....	\$ 1,207,498	\$ 441,176
Certificates of deposit and other securities (Note 1) .....	10,739,397	—
Accounts receivable .....	2,857,784	2,828,779
Materials and supplies at or below average cost .....	3,256,175	2,941,140
Operating and performance deposits .....	272,863	310,597
	<hr/>	<hr/>
Total Current Assets .....	18,333,717	6,521,692
	<hr/>	<hr/>
<b>Investments in Non-Controlled Companies at Cost .....</b>	<b>480,892</b>	<b>2,961,269</b>
	<hr/>	<hr/>
<b>Property, Plant and Equipment at Cost .....</b>	<b>87,563,746</b>	<b>70,342,552</b>
Less: Accumulated depreciation and depletion .....	15,971,994	10,761,151
	<hr/>	<hr/>
	71,591,752	59,581,401
	<hr/>	<hr/>
<b>Oil and Gas Rights on Hudson's Bay Company Lands .....</b>	<b>1</b>	<b>1</b>
	<hr/>	<hr/>
<b>Other Assets:</b>		
Unamortized bond discount .....	602,865	572,917
Miscellaneous, including mortgages receivable from officers of \$19,991 in 1957 and \$21,387 in 1956 .....	273,454	166,542
	<hr/>	<hr/>
Approved on Behalf of the Board:	876,319	739,459
	<hr/>	<hr/>
<i>R. L. Brown</i> ....., Director	\$91,282,681	\$69,803,822
<i>L. J. Richards</i> ....., Director	<hr/>	<hr/>



# as Company Limited

— DECEMBER 31, 1957 AND 1956

## LIABILITIES AND SHAREHOLDERS' EQUITY

	1957	1956
<b>Current Liabilities:</b>		
Bank loans .....	\$ —	\$21,000,000
Accounts payable and accrued liabilities .....	2,938,991	4,709,489
Accrued bond interest .....	240,312	180,530
Total Current Liabilities .....	3,179,303	25,890,019
<b>Due to Shareholder Companies</b> .....	—	5,000,000
<b>Long-Term Debt:</b>		
Hudson's Bay Oil and Gas Company Limited:		
4% first mortgage sinking fund bonds, series A, maturing May 1, 1975 (redeemable \$1,000,000 annually from 1960 to 1974, inclusive, and \$10,000,000 in 1975) (Note 2) .....	25,000,000	25,000,000
Rangeland Pipe Line Company Limited:		
5% first mortgage sinking fund bonds, series A, maturing October 1, 1971 (redeemable \$100,000 annually commencing in 1960) .....	1,100,000	1,100,000
5% first mortgage sinking fund bonds, series B, maturing August 1, 1977 (redeemable \$160,000 annually commencing in 1962) .....	2,500,000	—
	28,600,000	26,100,000
<b>Shareholders' Equity:</b>		
Share capital, par value \$2.50 per share (Note 3):		
Authorized: 25,000,000 shares		
Issued and outstanding: 1957 — 17,744,592 shares; 1956 — 8,000,000 shares .....	44,361,480	20,000,000
Paid-in surplus (Note 3) .....	14,512,741	—
Retained earnings (deficit), per accompanying statement .....	629,157	(7,186,197)
	59,503,378	12,813,803
	\$91,282,681	\$69,803,822

# Hudson's Bay Oil and Gas Company Limited

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS (DEFICIT)

YEARS ENDED DECEMBER 31, 1957 AND 1956

	1957	1956
<b>Income:</b>		
Gross operating income .....	\$20,962,835	\$18,040,016
Interest .....	254,948	17,666
	<u>21,217,783</u>	<u>18,057,682</u>
<b>Costs, Expenses and Taxes:</b>		
Costs, operating and general expenses (Note 4) .....	8,739,568	7,823,580
Taxes, other than income taxes .....	350,570	244,524
Dry holes .....	1,435,862	1,723,853
Surrendered leases .....	16,840	53,433
Depletion .....	3,803,920	3,168,094
Depreciation .....	1,535,892	839,227
Interest and expense on long-term debt .....	1,106,972	1,056,944
Other interest charges .....	1,155,157	789,425
	<u>18,144,781</u>	<u>15,699,080</u>
<b>Net Income Exclusive of Non-Recurring Gains</b> (Note 5)	3,073,002	2,358,602
<b>Non-Recurring Gains</b> , from sales of investments in 1957 and acreage in 1956 .....	4,742,352	2,244,997
<b>Net Income for Year</b> (Note 5) .....	<u>7,815,354</u>	<u>4,603,599</u>
<b>Retained Earnings (Deficit):</b>		
Balance at Beginning of Year .....	(7,186,197)	(11,789,796)
Balance at End of Year .....	<u>\$ 629,157</u>	<u>\$(7,186,197)</u>

The accompanying notes form an integral part of the financial statements



## NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 1957

**NOTE 1:** Certificates of deposit and other securities include common shares of Trans-Canada Pipe Lines Limited at cost of \$763,708. Subsequent to December 31, 1957 these shares were sold, and the purchaser has agreed to assume the Company's contingent obligation and has taken over the Company's rights under a Note Purchase Agreement to which the Company and Trans-Canada Pipe Lines Limited are parties. For these shares and rights the Company received a cash consideration of \$3,149,030. The balance of certificates of deposit and other securities is carried at cost, plus accrued interest, which approximates market.

**NOTE 2:** The Deed of Trust and Mortgage securing the 4% First Mortgage Sinking Fund Bonds, Series A, maturing May 1, 1975, places a restriction, under certain conditions which do not at present exist, on payments of dividends and on payments to affiliates. The bonds are secured by a first fixed and specific mortgage and charge in respect of certain petroleum and natural gas leases and by a first floating charge on all of the undertaking, property and assets, both present and future, of the Company. Subject to the restrictions and conditions in the Deed of Trust and Mortgage securing these bonds, the Company may issue additional First Mortgage Bonds secured by such Trust Deed.

**NOTE 3:** During the year ended December 31, 1957 certain changes took place in the Company's authorized and issued share capital. The balance of the unissued share capital, being 2,000,000 shares of the par value of \$10 per share, was issued in satisfaction of liabilities to shareholders of \$20,000,000. The authorized and issued share capital, 4,000,000 shares of the par value of \$10 per share, was then sub-divided into 16,000,000 shares of the par value of \$2.50 per share, and the authorized share capital was increased to 25,000,000 shares of \$2.50 par value per share. Subsequently, 1,744,592 shares were issued for a cash consideration of \$19,190,512. Of this amount, \$4,361,480 was credited to share capital account and the balance of \$14,829,032 was credited to paid-in surplus account. Expenses of this issue, amounting to \$316,291, were charged to paid-in surplus account. The 8,000,000 shares shown as outstanding at December 31, 1956 are after giving effect to the subdivision set out above.

**NOTE 4:** The following amounts were paid during the year ended December 31, 1957; directors' fees and expenses - \$3,428, salaries of executive officers - \$153,086 and fees and salaries for legal counsel - \$65,333.

**NOTE 5:** Under the provisions of the Income Tax Act and Regulations thereto, no income taxes were payable.

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Hudson's Bay Oil and Gas Company Limited as of December 31, 1957 and the consolidated statement of income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statement of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Hudson's Bay Oil and Gas Company Limited and subsidiary companies at December 31, 1957 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Calgary, Alberta  
February 14, 1958

*Peat, Marwick, Mitchell & Co.*  
Chartered Accountants

# FIVE YEAR FINANCIAL AND OPERATING REVIEW(1)

		1957	1956	1955	1954	1953
<i>Income — Financial Data</i>	Gross operating income .....	\$20,963	\$18,040	\$11,091	\$ 5,413	\$ 3,526
	Net operating income (loss)					
	Total .....	3,073	2,359	(1,059)	(2,576)	(2,678)
	Per Share .....	.17	.13(2)	—	—	—
	Non-recurring gains .....	4,742	2,245	729	—	265
	Net income for year .....	7,815	4,604	(330)	(2,576)	(2,413)
	Current assets .....	18,334	6,522	4,379	2,901	1,877
	Current liabilities (3) .....	3,179	4,890	5,449	2,987	1,392
	Current ratio (3) .....	5.8	1.3	.8	1.0	1.3
<i>Gross Property Accounts</i>	Long-term debt (3) .....	28,600	52,100	32,003	13,603	21,170
	Leases .....	11,683	9,647	9,210	7,633	4,264
	Wells and equipment .....	66,163	53,969	34,423	18,010	11,584
	Total production .....	77,846	63,616	43,633	25,643	15,848
	Pipelines .....	4,908	2,136	—	—	—
	Other .....	4,810	4,591	3,009	772	499
<i>Expenditures For Finding And Developing Reserves (4)</i>	Grand Total .....	87,564	70,343	46,642	26,415	16,347
	Acreage Acquisitions .....	2,053	436	1,576	3,369	2,443
	Cost of drilling wells .....	10,032	15,924	14,856	6,822	3,299
	Productive wells .....	8,596	14,200	13,373	5,287	2,700
	Dry holes .....	1,436	1,724	1,483	1,535	599
	Production equipment .....	3,600	5,118	3,922	1,511	1,074
	Exploratory expenses .....	2,469	2,499	3,324	2,459	2,842
	Lease rentals .....	2,853	2,486	2,431	2,018	2,096
	Total .....	\$21,013	\$26,463	\$26,109	\$16,179	\$11,754
<i>Net Crude Oil Production</i>	Average barrels daily .....	22,257	20,992	13,152	5,931	3,730
	Alberta .....	20,097	19,194	11,700	5,534	3,729
	Saskatchewan .....	2,144	1,796	1,450	397	1
	Other provinces .....	16	2	2	—	—
	Annual barrels (thousands) .....	8,124	7,683	4,801	2,165	1,361
<i>Wells Completed</i>	Gross wells .....	184.0	335.0	318.0	166.0	134.0
	Net Wells .....	107.7	186.2	174.0	81.7	55.3
	Net development wells .....	74.8	153.4	156.6	56.5	38.7
	Oil wells .....	65.4	149.2	154.1	55.9	34.9
	Gas wells .....	5.1	.8	—	.4	.6
	Dry holes .....	4.3	3.4	2.5	.2	3.2
	Net exploratory wells .....	32.9	32.8	17.4	25.2	16.6
	Oil wells .....	3.6	6.6	5.5	5.2	.1
	Gas wells .....	7.3	4.5	3.5	1.9	5.7
	Dry holes .....	22.0	21.7	8.4	18.1	10.8
<i>Net Acreage</i>	Thousands of acres at Dec. 31 .....	10,461	10,948	9,445	9,608	11,376
	Producing .....	100	88	64	46	26
	Undeveloped .....	10,361	10,860	9,381	9,562	11,350
	Number of stockholders .....	12,941	2	2	2	2
	Number of employees .....	356	307	251	174	112

(1) The figures in this table are for Hudson's Bay Oil and Gas Company Limited and subsidiary companies. With the exception of earnings per share dollar figures are in thousands.

(2) For comparative purposes calculated on the 17,744,592 shares outstanding at December 31, 1957.

(3) After reclassifying as long-term debt current bank loans which were repaid from the proceeds of long-term capital issues.

(4) Includes both capital and expense items; excludes interest expense.



### *Board of Directors*

L. F. McCOLLUM, CHAIRMAN, Houston, *President and a Director of Continental Oil Company*

P. A. CHESTER, VICE-CHAIRMAN, Winnipeg, *Managing Director of Hudson's Bay Company*

R. C. BROWN, Calgary

IRA H. CRAM, Houston, *Senior Vice-President and a Director of Continental Oil Company*

JOSEPH HARRIS, Winnipeg, *President of The Great-West Life Assurance Company and a Director of Hudson's Bay Company*

HERBERT H. LANK, Montreal, *President and a Director of DuPont Company of Canada (1956) Limited*

CHAS. A. PERLITZ, JR., Houston, *Executive Vice-President and a Director of Continental Oil Company*

L. J. RICHARDS, Calgary

JAMES A. RICHARDSON, Winnipeg, *Vice-President and a Director of James Richardson & Sons, Limited*

J. E. WOODS, Winnipeg, *President of The Monarch Life Assurance Company and a Director of Hudson's Bay Company*

### *Officers*

R. C. BROWN, PRESIDENT

L. J. RICHARDS, SENIOR VICE-PRESIDENT

HOWARD W. BLAUVELT, SENIOR VICE-PRESIDENT

GLENN H. BOWES, VICE-PRESIDENT, EXPLORATION

K. H. BURGIS, FINANCIAL VICE-PRESIDENT AND TREASURER

E. L. SHAFER, VICE-PRESIDENT, PRODUCTION

H. M. EISENHAUER, SECRETARY

F. F. SELLERS, CONTROLLER AND ASSISTANT SECRETARY

### *Head Office*

320 Seventh Avenue West, Calgary, Alberta, Canada

### *Transfer Agents and Registrars*

Montreal Trust Company, Calgary, Toronto and Winnipeg

Guaranty Trust Company of New York, New York 15, New York









